

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Ottawa County Public Utilities System	County Ottawa
Audit Date 12/31/05	Opinion Date 4/21/06	Date Accountant Report Submitted to State: 6/29/06	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.


We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASL GU).			✓

Certified Public Accountant (Firm Name) Rehmann Robson			
Street Address 2330 E. Paris Avenue, P.O. Box 6547		City Grand Rapids	State MI
Accountant Signature 		ZIP 49516	Date 6/30/06

OTTAWA COUNTY PUBLIC UTILITIES SYSTEM
(a Component Unit of Ottawa County)

GRAND HAVEN, MICHIGAN

FINANCIAL STATEMENTS

For The Year Ended December 31, 2005

OTTAWA COUNTY PUBLIC UTILITIES SYSTEM
(a Component Unit of Ottawa County)

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OTTAWA COUNTY PUBLIC UTILITIES SYSTEM
(a Component Unit of Ottawa County)

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REHMANN ROBSON

Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

April 21, 2006

Members of the Board of County Road Commissioners
County of Ottawa, Michigan
Grand Haven, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Ottawa County Public Utilities System (the "System"), a component unit of Ottawa County, Michigan, as of and for the year ended December 31, 2005, which collectively comprise the System's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Ottawa County Public Utilities System's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the comptroller general of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Ottawa County Public Utilities System as of December 31, 2005, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 21, 2006 on our consideration of Ottawa County Public Utilities System's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 3-8 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Ottawa County Public Utilities System's basic financial statements. The combining nonmajor fund financial statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, reading "Lehmann Lohman". The signature is written in a cursive style with a large, prominent 'L' at the beginning.

Management's Discussion and Analysis

As management of the Ottawa County Public Utilities System (the "System"), we offer readers of the Ottawa County Public Utilities System financial statements, this narrative overview and analysis of the financial activities of this Component Unit of Ottawa County, Michigan, for the fiscal year ended December 31, 2005. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the financial statements and notes to the financial statements.

Financial Highlights

Financial Statement Content:

The system provides water and sewer system infrastructure operations, design and construction management services to local units of government. Financing is typically provided through bonds issued utilizing the credit of both the participating local units and Ottawa County. Agreements between the local units transfer ownership of the constructed systems to the local units upon full payment of related debt service.

1. **Financial Statement Presentation**

The Governmental Accounting Standards Board (GASB) is charged with developing "generally accepted accounting principles" (GAAP) for governmental entities and is the ultimate authority on GAAP for state and local governments. The financial statements enclosed and their accompanying notes are prepared under these directions.

2. The Ottawa County Public Utilities System sold three new bond issues in 2005: Allendale Township Water and Sewer System for \$2,625,000, Northwest Ottawa Water Plant for \$990,000, and Crockery Township Water System for \$420,000.
3. The Ottawa County Public Utilities System sold three refunding bond issues in 2005: Northwest Ottawa Water System issued \$1,155,000 of new bonds to refund \$1,110,000 of old bonds, Grand Haven Township Water and Sewer System issued \$4,670,000 of new bonds to refund \$4,670,000 of old bonds, and Zeeland Township Water System issued \$5,035,000 in new bonds to refund \$4,670,000 in old bonds.
4. Total local water and sewer operations accounted for through the System paid in excess of \$13,300,000 for water and sewer services and over \$9,600,000 for debt service.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the System's basic financial statements. The System's basic financial statements comprise three components:

1. government-wide financial statements,
2. fund financial statements, and
3. notes to the financial statements.

This report also contains other supplementary information (combining non-major fund statements) in addition to the basic financial statements.

The government-wide financial statements of Ottawa County are not presented herein because the System is a component unit of the County. The County presents their financial statements elsewhere and in a manner partially resembling private-sector business in its government-wide financial statements in compliance with GASB Statement No. 34.

Government-wide Financial Statements

The statement of net assets presents information on all of the System's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the System is improving or deteriorating.

The statement of activities presents information showing how the System's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in past or future fiscal periods.

Both of the government-wide financial statements distinguish the various functions of the System that are supported by intergovernmental revenues (*governmental activities*). The governmental activities of the System include water and sewer operations, capital projects and debt service.

The government-wide financial statements include only the System itself (known as the *primary government*). The System has no legally separate component units for which the System is financially accountable. In this report, financial information for the System is reported separately from the financial information presented for Ottawa County, which reports the System as a component unit.

The government-wide financial statements can be found on pages 9 and 10 of this report.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The System, like other units of state and local government, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The activity of the System is accounted for in governmental funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The System maintains numerous governmental funds. Information is presented in the Balance Sheet- Governmental Funds (page 11) and Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds (page 13) for the major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The System has not adopted budgets for the general or special revenue funds by means of an appropriations act.

The governmental fund financial statements can be found on pages 11 through 14 of this report.

The System does not maintain proprietary nor fiduciary funds.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 15 through 25 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. This is limited to this management's discussion and analysis.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes on pages 26 through 37 of this report.

Government-wide Financial Analysis:

Ottawa County Public Utilities System Net Assets

	Governmental Activities	
Assets	2005	2004
Cash and temporary investments	\$ 6,296,813	\$ 9,262,028
Accounts receivable	2,394,340	,513,813
Capital leases receivable from other governments	69,117,240	69,672,310
Bond issuance costs – net	99,411	-
Total assets	<u>\$77,907,804</u>	<u>\$80,448,151</u>
Liabilities		
Accounts payable and accrued expenses	\$ 3,562,442	\$ 4,332,330
Deferred revenue	12,190	12,190
Due to other governments	458,294	453,461
Accrued interest	622,574	613,258
Long-term liabilities		
Bond refunding costs and discount	(1,222,712)	(659,378)
Due within one year	7,232,000	6,497,000
Due in more than one year	65,340,533	68,127,536
Total liabilities	<u>\$76,005,321</u>	<u>\$79,376,397</u>
Net Assets		
Restricted	\$ 1,739,563	\$ 1,021,716
Unrestricted	162,920	50,038
Total net assets	<u>\$ 1,902,483</u>	<u>\$ 1,071,754</u>

Government-wide Financial Analysis (Continued):**Ottawa County Public Utilities System Changes in Net Assets**

		Governmental <u>Activities</u>
Revenue	<u>2005</u>	<u>2004</u>
Program revenue		
Charges for services	\$18,163,708	\$14,747,541
General revenue		
Interest income	25,581	13,475
Miscellaneous	<u>583,700</u>	<u>883,000</u>
Total revenue	<u>18,772,989</u>	<u>15,644,016</u>
Expenses		
Operations		
Salaries and wages	700,285	592,934
Operating supplies and expenses	218,396	191,504
Contractual services	287,963	600,003
Water purchases	9,368,652	6,096,646
Sewage treatment charges	3,998,554	3,930,756
Miscellaneous	201,307	918,865
Debt service		
Interest	<u>3,167,103</u>	<u>3,305,074</u>
Total expenses	<u>17,942,260</u>	<u>15,635,782</u>
Increase in net assets	830,729	8,234
Net assets – beginning of year	<u>1,071,754</u>	<u>1,063,520</u>
Net assets – end of year	<u>\$ 1,902,483</u>	<u>\$ 1,071,754</u>

Financial Analysis of the Governmental Funds

As of the end of the current fiscal year the combined fund balance of \$4,667,240 reflects a decrease of \$1,310,620 from the previous year. The decrease was due in large part to incurring of costs associated with construction projects that were bonded for in the previous year.

Long-Term Debt
Ottawa County Public Utilities System Outstanding Debt

	<u>2005</u>	Governmental <u>Activities</u>	<u>2004</u>
Annual outstanding bond requirements			
Due within one year	\$ 7,232,000		\$ 6,497,000
Due in more than one year	<u>65,340,533</u>		<u>68,127,536</u>
Total Requirements	<u>\$ 72,572,533</u>		<u>\$ 74,624,536</u>

Additional information on the Public Utilities System's long-term debt can be found in Note 3 on pages 19 through 24 of this report.

Economic Factors and Next Year's Budgets and Rates

Budgets have not been adopted for fiscal year 2006.

Requests for Information

This financial report is designed to provide a general overview of the System's finances for all those with an interest in the component unit's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, Ottawa County Road Commission, P.O. Box 739, Grand Haven, MI 49417.

OTTAWA COUNTY PUBLIC UTILITIES SYSTEM
(a Component Unit of Ottawa County)

STATEMENT OF NET ASSETS

DECEMBER 31, 2005

	Governmental Activities
Assets	
Cash and temporary investments	\$ 6,296,813
Accounts receivable	2,394,340
Capital leases receivable from other governments	69,117,240
Unamortized bond issuance costs	99,411
Total assets	77,907,804
Liabilities	
Accounts payable and accrued expenses	3,562,442
Unearned revenue	12,190
Due to component unit	227,114
Due to Ottawa County	231,180
Accrued interest	622,574
Long-term liabilities	
Bonds payable	
Due within one year	7,232,000
Due in more than one year	65,340,533
Unamortized bond discounts	(784,668)
Unamortized refunding costs	(438,044)
Total liabilities	76,005,321
Net Assets	
Restricted for	
Debt service	1,322,123
Future Projects	417,440
Unrestricted	162,920
Total net assets	\$ 1,902,483

The accompanying notes are an integral part of these financial statements.

OTTAWA COUNTY PUBLIC UTILITIES SYSTEM
(a Component Unit of Ottawa County)

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2005

Expenses	Governmental Activities
Operations	
Salaries and wages	\$ 700,283
Operating supplies and expenses	218,398
Contractual services	287,963
Water purchases	9,368,652
Sewage treatment charges	3,998,554
Miscellaneous	201,307
Debt service	
Interest	3,167,103
Total expenses	17,942,260
Program revenues	
Charges for services	18,163,708
Net program expense	221,448
General revenues	
Interest income	25,581
Miscellaneous	583,700
Total general revenues	609,281
Change in net assets	830,729
Net assets, beginning of year	1,071,754
Net assets, end of year	\$ 1,902,483

The accompanying notes are an integral part of these financial statements.

OTTAWA COUNTY PUBLIC UTILITIES SYSTEM
(a Component Unit of Ottawa County)

BALANCE SHEET
GOVERNMENTAL FUNDS

DECEMBER 31, 2005

	General Fund	Special Revenue Fund Wyoming Water Supply System
<u>ASSETS</u>		
Cash and temporary investments	\$ 153,121	\$ 642,065
Accounts receivable	26,028	746,731
Due from other funds	96,101	-
Due from local governments	-	-
TOTAL ASSETS	\$ 275,250	\$ 1,388,796
<u>LIABILITIES AND FUND BALANCES</u>		
LIABILITIES		
Accounts payable	\$ 853	\$ 1,377,052
Deferred revenue	-	-
Due to other funds	-	-
Due to component units	227,114	-
Due to primary government	-	-
TOTAL LIABILITIES	227,967	1,377,052
FUND BALANCES		
Reserved for debt service	-	-
Reserved for capital projects	-	-
Unreserved	47,283	11,744
Unreserved, reported in nonmajor special revenue funds	-	-
TOTAL FUND BALANCES	47,283	11,744
TOTAL LIABILITIES AND FUND BALANCES	\$ 275,250	\$ 1,388,796

The accompanying notes are an integral part of these financial statements.

Debt Service Funds					
Wyoming Water Supply System	Northwest Ottawa System	Holland Area System	Zeeland Township Water System	Other Governmental Funds	Total Governmental Funds
\$ 620,108	\$ 69,235	\$ 21,898	\$ 1	\$ 4,790,385	\$ 6,296,813
2,979	-	-	115,650	1,502,952	2,394,340
289,379	-	-	-	27,795	413,275
10,895,130	13,204,737	13,176,698	8,533,993	22,684,108	68,494,666
\$ 11,807,596	\$ 13,273,972	\$ 13,198,596	\$ 8,649,644	\$ 29,005,240	\$ 77,599,094
\$ -	\$ -	\$ -	\$ -	\$ 2,184,537	\$ 3,562,442
10,895,130	13,204,737	13,176,698	8,533,993	22,687,285	68,497,843
-	-	-	115,651	297,624	413,275
-	-	-	-	-	227,114
-	-	-	-	231,180	231,180
10,895,130	13,204,737	13,176,698	8,649,644	25,400,626	72,931,854
912,466	69,235	21,898	-	26,718	1,030,317
-	-	-	-	3,172,200	3,172,200
-	-	-	-	-	59,027
-	-	-	-	405,696	405,696
912,466	69,235	21,898	-	3,604,614	4,667,240
\$ 11,807,596	\$ 13,273,972	\$ 13,198,596	\$ 8,649,644	\$ 29,005,240	\$ 77,599,094

OTTAWA COUNTY PUBLIC UTILITIES SYSTEM
(a Component Unit of Ottawa County)

**RECONCILIATION OF FUND BALANCE ON THE BALANCE
SHEET OF GOVERNMENTAL FUNDS TO NET ASSETS
ON THE STATEMENT OF NET ASSETS**

DECEMBER 31, 2005

Fund balances - total governmental funds	\$ 4,667,240
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Amounts reported for *governmental activities* in the statement of net assets are different because:

Certain assets of the governmental funds are recorded when the related revenue is susceptible to accrual while these assets are recorded on the statement of net assets when the related revenue is earned regardless of the actual date of receipt.

Add - accrued income receivable from local governments which is equal to accrued interest on capital leases	622,574
Add - deferred revenue associated with capital leases receivable from other governments	68,485,653

Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported as a liability in the fund statements.

Deduct - bonds payable	(72,572,533)
Add - unamortized bond issuance costs	99,411
Add - unamortized bond discounts	784,668
Add - unamortized bond refunding costs	438,044
Deduct - accrued interest on bonds payable	(622,574)

Net assets of governmental activities	<u>\$ 1,902,483</u>
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The accompanying notes are an integral part of these financial statements.

OTTAWA COUNTY PUBLIC UTILITIES SYSTEM
(a Component Unit of Ottawa County)

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGE IN FUND BALANCES
GOVERNMENTAL FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2005

	General Fund	Special Revenue Fund Wyoming Water Supply System
REVENUES		
Intragovernmental revenue	\$ 166,939	\$ 5,353,245
Charges for services	283,037	1,438
Interest earned	25,581	-
Miscellaneous	59,027	-
TOTAL REVENUES	534,584	5,354,683
EXPENDITURES		
Operations		
Salaries and wages	438,107	-
Operating supplies and expenses	3,059	-
Contractual services	11,985	-
Water purchases	-	5,353,270
Sewage treatment charges	-	-
Miscellaneous	84,188	2,488
Project costs	-	-
Debt service		
Principal	-	-
Interest	-	-
Bond issuance costs	-	-
TOTAL EXPENDITURES	537,339	5,355,758
REVENUES OVER (UNDER) EXPENDITURES	(2,755)	(1,075)
OTHER FINANCING SOURCES (USES)		
Bonds issued	-	-
Refunding bonds issued	-	-
Payment to escrow agent	-	-
Discount on bonds issued	-	-
Transfers out	-	-
Transfer in	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-
NET CHANGE IN FUND BALANCES	(2,755)	(1,075)
FUND BALANCES, BEGINNING OF YEAR	50,038	12,819
FUND BALANCES, END OF YEAR	\$ 47,283	\$ 11,744

The accompanying notes are an integral part of these financial statements.

Debt Service Funds					
Wyoming Water Supply System	Northwest Ottawa System	Holland Area System	Zeeland Township Water System	Other Governmental Funds	Total Governmental Funds
\$ 1,674,751	\$ 2,276,660	\$ 2,511,111	\$ 921,569	\$ 3,513,740	\$ 16,418,015
-	-	-	-	8,324,545	8,609,020
55,674	-	-	-	150,141	231,396
-	-	-	-	524,673	583,700
1,730,425	2,276,660	2,511,111	921,569	12,513,099	25,842,131
-	-	-	-	262,176	700,283
-	-	-	-	215,339	218,398
-	-	-	-	275,978	287,963
-	-	-	-	4,015,382	9,368,652
-	-	-	-	3,998,554	3,998,554
84,955	-	-	-	25,612	197,243
-	-	-	-	6,575,444	6,575,444
1,160,000	1,690,000	1,835,000	475,000	1,337,000	6,497,000
529,777	540,714	675,974	447,069	874,210	3,067,744
-	25,950	-	38,544	38,983	103,477
1,774,732	2,256,664	2,510,974	960,613	17,618,678	31,014,758
(44,307)	19,996	137	(39,044)	(5,105,579)	(5,172,627)
-	-	-	-	4,035,000	4,035,000
-	1,155,000	-	5,035,000	4,670,000	10,860,000
-	(1,137,550)	-	(4,934,106)	(4,833,020)	(10,904,676)
-	(14,500)	-	(62,350)	(51,467)	(128,317)
-	-	-	-	(27,795)	(27,795)
-	-	-	-	27,795	27,795
-	2,950	-	38,544	3,820,513	3,862,007
(44,307)	22,946	137	(500)	(1,285,066)	(1,310,620)
956,773	46,289	21,761	500	4,889,680	5,977,860
\$ 912,466	\$ 69,235	\$ 21,898	\$ -	\$ 3,604,614	\$ 4,667,240

OTTAWA COUNTY PUBLIC UTILITIES SYSTEM
(a Component Unit of Ottawa County)

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE TO THE
STATEMENT OF ACTIVITIES**

FOR THE YEAR ENDED DECEMBER 31, 2005

Net change in fund balances - total governmental funds	\$ (1,310,620)
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Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is transferred to the local unit of government in exchange for a promise to service the debt which financed construction of the asset (treated as a capital lease transaction).

Add - increase in capital leases receivable (project costs)	6,575,444
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Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Add - principal payments on long-term liabilities	6,497,000
Add - bonds refunded	10,904,676
Add - additions to unamortized bond premiums and discounts	128,316
Add - current year bond issuance costs	103,477
Deduct - bonds issued	(4,035,000)
Deduct - Refunding bonds issued	(10,860,000)
Deduct - amortization of bond premiums and discounts	(73,411)
Deduct - amortization of bond issuance costs	(4,066)
Deduct - amortization of deferred refunding costs	(16,632)
Deduct - Contract payments received from local governments	(7,078,455)

Some revenues and expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Deduct - increase in accrued interest payable on bonds	(9,316)
Add - increase in receivable from local units for interest on capital leases	9,316

Change in net assets of governmental activities	<u>\$ 830,729</u>
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The accompanying notes are an integral part of these financial statements.

OTTAWA COUNTY PUBLIC UTILITIES SYSTEM

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Ottawa County Public Utilities System (the “System”) conforms to generally accepted accounting principles as applied to governmental units. The following is a summary of the significant policies.

Reporting Entity

The Ottawa County Public Utilities System is a discrete component unit of Ottawa County, Michigan and was organized in 1964 under Act 342 of the Public Acts of Michigan of 1939 to provide water supply and sewage disposal improvements and services to local municipalities within the County.

The Ottawa County Public Utilities System is considered a component unit of the County of Ottawa because the County has accountability for fiscal matters. The System is included in the County’s basic financial statements as a discrete component unit.

Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the governmental fund activities of the primary government (the Ottawa County Public Utilities System). For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities* are supported by intergovernmental revenues and fees. The System does not utilize proprietary or fiduciary funds.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Charges for services are recognized as revenues in the year for which they are earned. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

OTTAWA COUNTY PUBLIC UTILITIES SYSTEM

NOTES TO FINANCIAL STATEMENTS

Governmental fund financial statements are reported using the *current financial resources measurement* focus and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 180 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due. When restricted and unrestricted funds are available for disbursement, restricted funds are utilized first to pay applicable expenses.

Intergovernmental charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Wyoming Water Supply System Special Revenue Fund accounts for the purchase of water from the City of Wyoming and related wholesale sales of this water to participating governments.

The Wyoming Water Supply System, Northwest Ottawa System, Holland Area System, and Zeeland Township Water System Debt Service Funds account for the payment of both principal and interest on debt issued for the construction of water and sewer systems as well as the receipt of payments for debt service. (The assets constructed by the system are transferred to local governments in exchange for a promise to make debt service payments. This transaction is accounted for as a capital lease).

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

Cash and Temporary Investments

Cash and temporary investments consist primarily of demand deposits and mutual funds and are carried at fair value.

Budgets and Budgetary Accounting

The system has not adopted budgets at the fund or detail level for the current year.

Deferred Revenue

The System reports deferred revenue when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenue represents amounts due from local governments in future periods as well as advanced payments.

OTTAWA COUNTY PUBLIC UTILITIES SYSTEM

NOTES TO FINANCIAL STATEMENTS

Receivables

All receivables are recorded at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible in the future. There is no allowance for uncollectible amounts at year-end.

2. CASH AND TEMPORARY INVESTMENTS

Deposits of the System are carried at fair value and are held in the name of the Ottawa County Treasurer.

State statutes and County policy authorize the System to invest funds in the following:

- Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States
- Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution
- Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase
- Bankers acceptances of United States banks
- Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service
- Mutual funds registered under the investment company act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation
- External investment pools as authorized by Public Act 20 as amended through 12/31/97

OTTAWA COUNTY PUBLIC UTILITIES SYSTEM

NOTES TO FINANCIAL STATEMENTS

Deposits and Investment

The captions on the financial statements relating to cash and temporary investments are as follows:

	<u>Governmental Activities</u>
Cash and temporary investments	<u>\$6,296,813</u>

For note disclosure purposes, the amounts above are classified as follows:

	<u>Bank Balance</u>	<u>Book Balance</u>
Deposits	\$ 3,000	\$ 668,675
Investments	<u>5,628,138</u>	<u>5,628,138</u>
	<u>\$5,631,138</u>	<u>\$6,296,813</u>

The System chooses to disclose its investments by specifically identifying each. As of year-end the System had the following investments:

<u>Investment</u>	<u>Balance</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Rating</u>
Money Market Mutual Funds	\$5,628,138	N/A	N/A	S&P AAAM

Investment and Deposit Risk

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified above. The System's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers' acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified above. The System's investment policy does not have specific limits in excess of state law pertaining to investment credit risk. The ratings for each investment are identified above for significant investments held at year-end.

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the System's deposits may not be returned. State law does not require and the System does not have a policy for deposit custodial credit risk.

*Deposits of the Public Utilities System held by Ottawa County may be partially covered by federal depository insurance. The amount of federal depository insurance is determined for the County as a whole, but cannot be separately identified for the Public Utilities System.

OTTAWA COUNTY PUBLIC UTILITIES SYSTEM

NOTES TO FINANCIAL STATEMENTS

3. BONDS PAYABLE

The bonds payable are general obligation bonds of the County of Ottawa, which were issued pursuant to agreements entered into with various local municipalities of the County. Under the terms of the agreements, the local municipalities have pledged their full faith and credit to pay to the System each year, amounts sufficient to make principal and interest payments. The amounts due from local municipalities are represented as “capital leases receivable from other governments” in the government-wide financial statements.

Bonds payable and interest requirements at December 31, 2005 consist of the following:

	January 1, 2005	Additions	(Reductions)	December 31, 2005	Due in One Year
Grand Valley Water and Sewer Systems:					
1998 Michigan Municipal Bond Authority Clean Water Revolving Loan, due in annual installments of \$215,000 to \$289,446 through 2019, interest interest payable at 2.25%	\$3,754,446	\$ -	\$ (215,000)	\$3,539,446	\$ 220,000
2000 Michigan Municipal Bond Authority, Revolving Loan Fund Program, due in annual installments of \$75,000 to \$117,087 through 2020, interest payable at 2.50%.	1,512,087	-	(75,000)	1,437,087	75,000
2005 Ottawa County Water Supply and Sewage Disposal Bonds, due in annual installments of \$60,000 to \$190,000 through 2025, interest payable at 3.00% to 4.25%.	-	2,625,000	-	2,625,000	60,000
	5,266,533	2,625,000	(290,000)	7,601,533	355,000
Wyoming Water Supply System:					
2002 Ottawa County Refunding Bonds, due in annual installments of \$985,000 to \$1,055,000 through 2008, interest at 2.00% to 4.00%.	4,075,000	-	(985,000)	3,090,000	1,010,000
1995 Ottawa County Water Supply System Bonds, due in annual installments of \$175,000 to \$315,000 through 2015, interest payable at 4.80% to 6.75%	2,620,000	-	(175,000)	2,445,000	185,000
2002 Ottawa County Water Supply System Bonds, due in annual installments of \$165,000 to \$755,000 through 2022, interest payable at 3.00% to 4.80%	6,500,000	-	-	6,500,000	165,000
	13,195,000	-	(1,160,000)	12,035,000	1,360,000

OTTAWA COUNTY PUBLIC UTILITIES SYSTEM

NOTES TO FINANCIAL STATEMENTS

	January 1, 2005	Additions	(Reductions)	December 31, 2005	Due in One Year
Northwest Ottawa System:					
1989 Ottawa County Refunding Bonds, due in annual installments of \$15,000 to \$20,000 through 2014, interest payable at 6.80% to 7.60%.	\$ 155,000	\$ -	\$ (15,000)	\$ 140,000	\$ 15,000
1989 Ottawa County Refunding Bonds, due in annual installments of \$60,000 to \$65,000 through 2014, interest payable at 6.80% to 7.60%.	620,000	-	(60,000)	560,000	60,000
2002 Ottawa County Refunding Bonds, Series A, due in annual installments of \$415,000 to \$610,000 through 2010, interest payable at 2.00% to 3.20%.	3,075,000	-	(610,000)	2,465,000	575,000
2002 Ottawa County Refunding Bonds, Series B, due in annual installments of \$355,000 to \$430,000 through 2010, interest payable at 2.00% to 3.20%.	2,320,000	-	(355,000)	1,965,000	360,000
2001 Ottawa County Water Supply Bonds, due in annual installments of \$70,000 to \$300,000 through 2021, interest payable at 4.625% to 5.20%.	2,785,000	-	(70,000)	2,715,000	80,000
1996 Ottawa County Refunding Bonds	1,220,000	-	(1,220,000)	-	-
1998 Ottawa County Refunding Bonds, due in annual installments of \$360,000 to \$510,000 through 2010, interest payable at 3.60% to 4.70%.	2,800,000	-	(360,000)	2,440,000	510,000
1998 Ottawa County Refunding Bonds, due in annual installments of \$75,000 to \$90,000 through 2009, interest payable at 3.60% to 4.60%.	400,000	-	(75,000)	325,000	75,000
1999 Ottawa County Wastewater Collection System Bonds, due in annual installments of \$35,000 to \$75,000 through 2019, interest payable at 4.70% to 5.05%.	765,000	-	(35,000)	730,000	35,000
2005 Ottawa County Refunding Bonds, due in annual installments of \$120,000 to \$135,000 through 2015, interest payable at 3.50% to 4.00%.	-	1,155,000	-	1,155,000	-
2005 Ottawa County Water Supply Bonds, due in annual installments of \$50,000 to \$110,000 through 2020, interest payable at 3.050% to 4.25%.	-	990,000	-	990,000	-
	14,140,000	2,145,000	(2,800,000)	13,485,000	1,710,000

OTTAWA COUNTY PUBLIC UTILITIES SYSTEM

NOTES TO FINANCIAL STATEMENTS

	January 1, 2005	Additions	(Reductions)	December 31, 2005	Due in One Year
Grand Haven Township Water System:					
1978 Ottawa County Water Supply Bonds, due in one annual installment of \$130,000 on 1/1/2006.	\$1,725,000	\$ -	\$(1,595,000)	\$ 130,000	\$ 130,000
1998 Ottawa County Refunding Bonds, due in annual installments of \$75,000 to \$85,000 through 2010, interest payable at 3.70% to 4.70%.	485,000	-	(75,000)	410,000	80,000
1993 Ottawa County Water Supply Bonds	235,000	-	(235,000)	-	-
1994 Ottawa County Water Supply Bonds, due in one annual installment of \$95,000 on 1/1/2006.	500,000	-	(405,000)	95,000	95,000
1996 Ottawa County Wastewater Collection Bonds, due in annual installments of \$45,000 to \$95,000 through 2016, interest payable at 5.10% to 7.00%.	820,000	-	(45,000)	775,000	50,000
1999 Ottawa County Water Supply Bonds	2,800,000	-	(2,800,000)	-	-
2005 Ottawa County Refunding Bonds, due in annual installments of \$150,000 to \$410,000 through 2019, interest payable at 3.50% to 4.375%.	-	4,670,000	-	4,670,000	150,000
	6,565,000	4,670,000	(5,155,000)	6,080,000	505,000
Holland Area System:					
1997 Ottawa County Refunding Bonds, due in annual installments of \$280,000 to \$360,000 through 2010, interest payable at 3.80% to 4.90%.	1,885,000	-	(280,000)	1,605,000	285,000
2001 Ottawa County Refunding Bonds, due in annual installments of \$100,000 to \$140,000 through 2011, interest payable at 2.80% to 4.45%.	835,000	-	(100,000)	735,000	110,000
2001 Ottawa County Refunding Bonds, due in annual installments of \$650,000 to \$990,000 through 2014, interest payable at 2.80% to 4.75%.	8,080,000	-	(650,000)	7,430,000	685,000

OTTAWA COUNTY PUBLIC UTILITIES SYSTEM

NOTES TO FINANCIAL STATEMENTS

	January 1, 2005	Additions	(Reductions)	December 31, 2005	Due in One Year
Holland Area System (Continued):					
1998 Ottawa County Water Supply and Refunding Bonds, due in annual installments of \$175,000 to \$790,000 through 2018, interest payable at 3.70% to 5.50%.	\$ 4,360,000	\$ -	\$ (805,000)	\$ 3,555,000	\$ 790,000
	15,160,000	-	(1,835,000)	13,325,000	1,870,000
Olive-Blendon Water System:					
1978 Ottawa County Water Supply Bonds, due in annual installments of \$20,000 to \$50,000 through 2017, interest payable at 5.00%.	470,000	-	(20,000)	450,000	25,000
Coopersville Water Supply System:					
1978 Ottawa County Water Supply Bonds, due in annual installments of \$30,000 to \$75,000 through 2017, interest payable at 5.00%.	750,000	-	(30,000)	720,000	35,000
Crockery Township Water and Sewage System:					
1997 Ottawa County Water Supply Bonds, due in annual installments of \$10,000 to \$20,000 through 2017, interest payable at 3.80% to 5.25%.	205,000	-	(10,000)	195,000	10,000
1997 Ottawa County Refunding Bonds, due in annual installments of \$85,000 through 2007, interest payable at 3.80% to 4.70%.	250,000	-	(80,000)	170,000	85,000
2004 Ottawa County Wastewater Collection System Bonds, due in annual installments of \$20,000 to \$230,000 through 2024, interest payable at 2.00% to 4.375%.	1,275,000	-	-	1,275,000	230,000
2005 Ottawa County Water Supply Bonds, due in annual installments of \$15,000 to \$35,000 through 2025, interest payable at 3.625% to 4.30%.	-	420,000	-	420,000	-
	1,730,000	420,000	(90,000)	2,060,000	325,000
Zeeland Township Water and Sewage System:					
1991 Ottawa County Wastewater Collection System Bonds, due in annual installments of \$110,000 to \$120,000 through 2010, interest payable at 2.00%	685,000	-	(110,000)	575,000	110,000
1994 Ottawa County Wastewater Collection Bonds	310,000	-	(310,000)	-	-

OTTAWA COUNTY PUBLIC UTILITIES SYSTEM

NOTES TO FINANCIAL STATEMENTS

	January 1, 2005	Additions	(Reductions)	December 31, 2005	Due in One Year
Zeeland Township Water and Sewage System (continued):					
1998 Ottawa County Refunding Bonds, due in annual installments of \$85,000 through 2008, interest payable at 3.70% to 4.35%.	\$ 320,000	\$ -	\$ (85,000)	\$ 235,000	\$ 85,000
1999 Ottawa County Water Supply Bonds, partially refunded in 2005, remainder due in annual installments of \$120,000 to \$240,000 through 2009, interest payable at 5.55%.	5,210,000	-	(4,525,000)	685,000	120,000
2004 Ottawa County Wastewater Collection System Bonds, due in annual installments of \$50,000 to \$440,000 through 2023, interest payable at 2.00% to 5.00%.	2,800,000	-	(115,000)	2,685,000	210,000
2005 Ottawa County Refunding Bonds, due in annual installments of \$85,000 to \$520,000 through 2019, interest payable at 3.00% to 4.00%.	-	5,035,000	-	5,035,000	85,000
	9,325,000	5,035,000	(5,145,000)	9,215,000	610,000
Jamestown Township Water and Sewage System:					
1996 Ottawa County Water Supply Bonds, due in annual installments of \$20,000 to \$75,000 through 2016, interest payable at 5.50% to 7.00%.	785,000	-	(20,000)	765,000	55,000
1999 Ottawa County Sewage Disposal Bonds, due in annual installments of \$145,000 to \$195,000 through 2011, interest payable at 4.25% to 4.35%.	1,185,000	-	(145,000)	1,040,000	155,000
2000 Ottawa County Sewage Disposal and Water Supply Bonds, due in annual installments of \$20,000 to \$100,000 through 2021, interest payable at 5.20% to 5.80%.	930,000	-	(30,000)	900,000	25,000
2004 Ottawa County Water Supply and Wastewater Collection Bonds, due in annual installments of \$40,000 to \$195,000 through 2024, interest payable at 2.50% to 5.00%.	1,785,000	-	(70,000)	1,715,000	40,000
	4,685,000	-	(265,000)	4,420,000	275,000
Polkton Township System:					
1998 Michigan Municipal Bond Authority Drinking Water Revolving Fund, due in annual installments of \$20,000 to \$25,000 through 2018, interest payable at 2.50%.	300,000	-	(20,000)	280,000	20,000

OTTAWA COUNTY PUBLIC UTILITIES SYSTEM

NOTES TO FINANCIAL STATEMENTS

	January 1, 2005	Additions	(Reductions)	December 31, 2005	Due in One Year
West Central Ottawa Water and Sewage System:					
1993 Ottawa County Water Supply and Sewage Disposal Bonds, due in annual installments of \$45,000 to \$75,000 through 2013, interest payable at 5.00% to 7.00%.	\$ 540,000	\$ -	\$ (45,000)	\$ 495,000	\$ 50,000
2002 Ottawa County Sewage Disposal Bonds, due in annual installments of \$45,000 to \$75,000 through 2017, interest payable at 2.50% to 4.55%.	730,000	-	(45,000)	685,000	45,000
	1,270,000	-	(90,000)	1,180,000	95,000
Port Sheldon Sewage System					
2002 Ottawa County Sewage Disposal Bonds, due in annual installments of \$40,000 to \$90,000 through 2022, interest payable at 3.00% to 5.00%.	1,100,000	-	(40,000)	1,060,000	40,000
Chester Township Sewage System					
1996 U.S. Dept. of Agriculture, Rural Development Bonds, due in annual installments of \$7,000 to \$35,000 through 2035, interest payable at 5.125%.	668,000	-	(7,000)	661,000	7,000
	\$74,624,533	\$14,895,000	\$(16,947,000)	\$72,572,533	\$7,232,000

The annual requirements to amortize the outstanding bonds as of December 31, 2005 are as follows:

	Principal	Interest
2006	\$ 7,232,000	\$ 3,194,973
2007	6,617,000	2,894,296
2008	7,082,000	2,653,363
2009	5,868,000	2,377,590
2010	5,766,000	1,889,321
2011-2015	20,288,000	6,695,753
2016-2020	14,519,533	2,879,628
2021-2025	4,875,000	514,906
2026-2030	150,000	64,062
2031-2035	175,000	22,424
	\$72,572,533	\$23,186,316

OTTAWA COUNTY PUBLIC UTILITIES SYSTEM

NOTES TO FINANCIAL STATEMENTS

4. ADVANCE REFUNDINGS

Current Year

During fiscal year 2005 the Ottawa County Public Utilities System issued \$5,035,000, \$4,670,000 and \$1,155,000 of Ottawa County general obligation bonds to provide resources to purchase U.S. Government securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments on \$4,670,000, \$4,670,000 and \$1,110,000 of refunded debt. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the Statement of Net Assets. This advanced refunding was undertaken to reduce total debt service payments by \$346,807, \$156,104 and \$63,109 respectively, which resulted in an economic gain of \$268,559, \$144,711 and \$54,455, respectively. As of December 31, 2005, \$10,450,000 of outstanding bonds payable is considered defeased.

5. RISK MANAGEMENT

Ottawa County Public Utilities System is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission; injuries to employees and natural disasters. In order to minimize its exposure to these risks, Ottawa County Public Utilities System participates in the Michigan County Road Commission Self Insurance Pool. Settled claims relating to participation in Michigan County Road Commission Self Insurance Pool have not exceeded the amount of insurance coverage in any of the past three fiscal years.

6. RELATED PARTY TRANSACTIONS

The System incurred expenses of approximately \$496,000 for services and labor provided by the Ottawa County Road Commission, which also provides fiscal and managerial services to the System. At year end the System owed the Ottawa County Road Commission \$227,114 for these goods and services.

7. INTERFUND TRANSACTIONS

Due to/from other funds at December 31, 2005 were to meet temporary cash needs and are as follows:

	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 96,101	\$ -
Special Revenue Funds		
Wyoming Water Supply	289,379	-
Grand Haven Township Water System	-	56,328
Port Sheldon Township Water System	-	1,198
Crockery Township Water System	-	16,016
Robinson Township Water System	-	2,947
South West Ottawa County Landfill	-	18,949
Debt Service Funds		
Grand Haven Township Water System	-	173,728
West Central Ottawa System	27,795	
Zeeland Township Water System	-	115,651
Capital Projects Funds		
West Central Ottawa System	-	27,795
South West Ottawa County Landfill	-	663
	<u>\$413,275</u>	<u>\$413,275</u>

There was one transfer of \$27,795 from the West Central Ottawa System Capital Projects Fund to the West Central Ottawa System Debt Service Fund to fund debt service payments during the year.

OTTAWA COUNTY PUBLIC UTILITIES SYSTEM

NOTES TO FINANCIAL STATEMENTS

8. COMMITMENTS

At December 31, 2005, the Ottawa County Public Utilities System had commitments related to various construction projects totaling approximately \$490,500. These commitments are being funded from bond proceeds issue in prior years.

9. LITIGATION/CONTINGENT LIABILITY

In the normal course of its activities, the Ottawa County Public Utilities System has become a party in various legal actions. Management of the System is of the opinion that the outcome of such actions will not have a material effect on the financial position of the System and, therefore, has not reflected loss reserves in the financial statements.

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OTTAWA COUNTY PUBLIC UTILITIES SYSTEM
(a Component Unit of Ottawa County)

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

DECEMBER 31, 2005

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total
<u>ASSETS</u>				
Cash and temporary investments	\$ 1,107,706	\$ 85,135	\$ 3,597,544	\$ 4,790,385
Accounts receivable	988,905	169,808	344,239	1,502,952
Due from other funds	-	27,795	-	27,795
Due from local governments	-	22,684,108	-	22,684,108
TOTAL ASSETS	\$ 2,096,611	\$ 22,966,846	\$ 3,941,783	\$ 29,005,240
<u>LIABILITIES AND FUND BALANCES</u>				
LIABILITIES				
Accounts payable	\$ 1,595,477	\$ -	\$ 589,060	\$ 2,184,537
Deferred revenue	-	22,685,220	2,065	22,687,285
Due to other funds	95,438	173,728	28,458	297,624
Due to primary government	-	81,180	150,000	231,180
TOTAL LIABILITIES	1,690,915	22,940,128	769,583	25,400,626
FUND BALANCES				
Reserved for debt service	-	26,718	-	26,718
Reserved for capital projects	-	-	3,172,200	3,172,200
Designated				
Maintenance and operation	405,696	-	-	405,696
TOTAL FUND BALANCES	405,696	26,718	3,172,200	3,604,614
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,096,611	\$ 22,966,846	\$ 3,941,783	\$ 29,005,240

OTTAWA COUNTY PUBLIC UTILITIES SYSTEM
(a Component Unit of Ottawa County)

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGE IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS**

FOR THE YEAR ENDED DECEMBER 31, 2005

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total
REVENUES				
Intragovernmental revenue	\$ -	\$ 2,436,243	\$ 1,077,497	\$ 3,513,740
Charges for services	8,324,545	-	-	8,324,545
Interest earned	-	-	150,141	150,141
Miscellaneous	524,673	-	-	524,673
TOTAL REVENUES	8,849,218	2,436,243	1,227,638	12,513,099
EXPENDITURES				
Operations				
Salaries and wages	262,176	-	-	262,176
Operating supplies and expenses	215,339	-	-	215,339
Contractual services	275,978	-	-	275,978
Water purchases	4,015,382	-	-	4,015,382
Sewage treatment charges	3,998,554	-	-	3,998,554
Miscellaneous	25,612	-	-	25,612
Project costs	-	-	6,575,444	6,575,444
Debt service				
Principal	-	1,337,000	-	1,337,000
Interest and agent fees	-	874,210	-	874,210
Bond issuance costs	-	38,983	-	38,983
TOTAL EXPENDITURES	8,793,041	2,250,193	6,575,444	17,618,678
REVENUES OVER (UNDER) EXPENDITURES	56,177	186,050	(5,347,806)	(5,105,579)
OTHER FINANCING SOURCES (USES)				
Bonds issued	-	-	4,035,000	4,035,000
Refunding bonds issued	-	4,670,000	-	4,670,000
Payments to escrow agents	-	(4,833,020)	-	(4,833,020)
Discount on bonds issued	-	(51,467)	-	(51,467)
Transfers out	-	-	(27,795)	(27,795)
Transfer in	-	27,795	-	27,795
TOTAL OTHER FINANCING SOURCES (USES)	-	(186,692)	4,007,205	3,820,513
NET CHANGE IN FUND BALANCES	56,177	(642)	(1,340,601)	(1,285,066)
FUND BALANCES, BEGINNING OF YEAR	349,519	27,360	4,512,801	4,889,680
FUND BALANCES, END OF YEAR	\$ 405,696	\$ 26,718	\$ 3,172,200	\$ 3,604,614

OTTAWA COUNTY PUBLIC UTILITIES SYSTEM
(a Component Unit of Ottawa County)

SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET

DECEMBER 31, 2005

	Olive Township System	Grand Valley Water and Sewer System	Rush Creek Sewage Disposal System	Park Township Water System
<u>ASSETS</u>				
Cash and temporary investments	\$ 34,115	\$ 144,483	\$ 204,522	\$ 16,598
Accounts receivable	6,036	40,061	218,645	20,082
TOTAL ASSETS	\$ 40,151	\$ 184,544	\$ 423,167	\$ 36,680
<u>LIABILITIES AND FUND BALANCES</u>				
LIABILITIES				
Accounts payable	\$ -	\$ 180,236	\$ 419,441	\$ 36,680
Due to other funds	-	-	-	-
TOTAL LIABILITIES	-	180,236	419,441	36,680
FUND BALANCES				
Designated				
Maintenance and operation	40,151	4,308	3,726	-
TOTAL LIABILITIES AND FUND BALANCES	\$ 40,151	\$ 184,544	\$ 423,167	\$ 36,680

Northwest Ottawa System	Grand Haven Township Water System	Holland Area System	Olive Blendon Water System	Coopersville Water Supply System	Wright Township System	Port Sheldon Township Water System
\$ 179,251 221,873	\$ - 95,068	\$ 115,537 115,530	\$ 76,965 64,963	\$ 28,580 42,384	\$ 35,770 -	\$ 3,511 7,702
\$ 401,124	\$ 95,068	\$ 231,067	\$ 141,928	\$ 70,964	\$ 35,770	\$ 11,213
\$ 401,123 -	\$ 38,739 56,328	\$ 231,060 -	\$ 89,926 -	\$ 68,341 -	\$ - -	\$ 10,015 1,198
401,123	95,067	231,060	89,926	68,341	-	11,213
1	1	7	52,002	2,623	35,770	-
\$ 401,124	\$ 95,068	\$ 231,067	\$ 141,928	\$ 70,964	\$ 35,770	\$ 11,213

(Continued)

OTTAWA COUNTY PUBLIC UTILITIES SYSTEM
(a Component Unit of Ottawa County)

SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET (CONTINUED)

DECEMBER 31, 2005

	Crockery Township Water System	Zeeland Township Water System	Spring Lake Village Water System	Jamestown Township Sewage System
<u>ASSETS</u>				
Cash and temporary investments	\$ 1	\$ 579	\$ 15,525	\$ 2,374
Accounts receivable	23,122	-	6,392	46,736
TOTAL ASSETS	\$ 23,123	\$ 579	\$ 21,917	\$ 49,110
<u>LIABILITIES AND FUND BALANCES</u>				
LIABILITIES				
Accounts payable	\$ 7,101	\$ -	\$ 21,676	\$ 49,110
Due to other funds	16,016	-	-	-
TOTAL LIABILITIES	23,117	-	21,676	49,110
FUND BALANCES				
Designated				
Maintenance and operation	6	579	241	-
TOTAL LIABILITIES AND FUND BALANCES	\$ 23,123	\$ 579	\$ 21,917	\$ 49,110

Polkton Township Water System	Robinson Township Water System	West Central Ottawa System	Chester Township Sewage System	Olive Township Sewage System	South West Ottawa County Landfill	Total
\$ 2,724	\$ 1	\$ 219,857	\$ 12,982	\$ 10,000	\$ 4,331	\$ 1,107,706
1,806	3,560	42,346	3,362	-	29,237	988,905
\$ 4,530	\$ 3,561	\$ 262,203	\$ 16,344	\$ 10,000	\$ 33,568	\$ 2,096,611
\$ 2,948	\$ 614	\$ 35,706	\$ 2,735	\$ -	\$ 26	\$ 1,595,477
-	2,947	-	-	-	18,949	95,438
2,948	3,561	35,706	2,735	-	18,975	1,690,915
1,582	-	226,497	13,609	10,000	14,593	405,696
\$ 4,530	\$ 3,561	\$ 262,203	\$ 16,344	\$ 10,000	\$ 33,568	\$ 2,096,611

(Concluded)

OTTAWA COUNTY PUBLIC UTILITIES SYSTEM
(a Component Unit of Ottawa County)

SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGE IN FUND BALANCES

FOR THE YEAR ENDED DECEMBER 31, 2005

	Olive Township System	Grand Valley Water and Sewer System	Rush Creek Sewage Disposal System	Park Township Water System
REVENUES				
Charges for services				
Water and sewage charges	\$ 32,886	\$ 690,309	\$ 1,970,780	\$ 533,547
Inspection and service fees	192	1,132	16,157	-
Miscellaneous	17	634	20,840	-
TOTAL REVENUES	33,095	692,075	2,007,777	533,547
EXPENDITURES				
Salaries and wages	3,927	-	14,714	-
Operating supplies and expenses	-	884	8,902	-
Contractual services	-	-	9,741	-
Water purchases	-	690,369	-	533,547
Sewage treatment charges	-	-	1,970,698	-
Miscellaneous	-	432	-	-
TOTAL EXPENDITURES	3,927	691,685	2,004,055	533,547
NET CHANGE IN FUND BALANCES	29,168	390	3,722	-
FUND BALANCES, BEGINNING OF YEAR	10,983	3,918	4	-
FUND BALANCES, END OF YEAR	\$ 40,151	\$ 4,308	\$ 3,726	\$ -

Northwest Ottawa System	Grand Haven Township Water System	Holland Area System	Olive Blendon Water System	Coopersville Water Supply System	Wright Township System	Port Sheldon Township Water System
\$ 1,842,270	\$ 627,101	\$ 1,360,251	\$ 340,706	\$ 282,041	\$ -	\$ 16,505
555	96	-	2,840	6,654	-	-
23,895	-	-	1,596	1,128	-	5,018
1,866,720	627,197	1,360,251	345,142	289,823	-	21,523
4,045	-	-	17,468	6,654	-	14,002
33,724	-	-	6,024	981	-	98
37,693	-	-	4,989	-	-	1,484
1,176,769	628,058	-	332,290	281,908	-	5,939
614,541	-	1,360,251	-	-	-	-
-	96	-	1,080	-	-	-
1,866,772	628,154	1,360,251	361,851	289,543	-	21,523
(52)	(957)	-	(16,709)	280	-	-
53	958	7	68,711	2,343	35,770	-
\$ 1	\$ 1	\$ 7	\$ 52,002	\$ 2,623	\$ 35,770	\$ -

(Continued)

OTTAWA COUNTY PUBLIC UTILITIES SYSTEM
(a Component Unit of Ottawa County)

SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGE IN FUND BALANCES (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2005

	Crockery Township Water System	Zeeland Township Water System	Spring Lake Village Water System	Jamestown Township Sewage System
REVENUES				
Charges for services				
Water and sewage charges	\$ 30,279	\$ -	\$ 135,196	\$ 213,092
Inspection and service fees	50,619	-	-	66,570
Miscellaneous	24,439	-	-	68,394
TOTAL REVENUES	105,337	-	135,196	348,056
EXPENDITURES				
Salaries and wages	48,254	-	-	71,455
Operating supplies and expenses	12,617	-	-	62,932
Contractual services	4,551	-	-	8,669
Water purchases	30,279	-	135,195	162,286
Sewage treatment charges	-	-	-	53,064
Miscellaneous	9,634	-	-	14,276
TOTAL EXPENDITURES	105,335	-	135,195	372,682
NET CHANGE IN FUND BALANCES	2	-	1	(24,626)
FUND BALANCES, BEGINNING OF YEAR	4	579	240	24,626
FUND BALANCES, END OF YEAR	\$ 6	\$ 579	\$ 241	\$ -

Polkton Township Water System	Robinson Township Water System	West Central Ottawa System	Chester Township Sewage System	Olive Township Sewage System	South West Ottawa County Landfill	Total
\$ 6,037	\$ 822	\$ 60,737	\$ -	\$ -	\$ -	\$ 8,142,559
4,126	288	1,883	6,413	-	24,461	181,986
645	1,423	274,796	9,249	-	92,599	524,673
10,808	2,533	337,416	15,662	-	117,060	8,849,218
4,126	1,494	44,917	6,820	-	24,300	262,176
720	-	29,655	1,288	-	57,514	215,339
-	-	171,134	8,241	-	29,476	275,978
6,606	1,043	31,093	-	-	-	4,015,382
-	-	-	-	-	-	3,998,554
-	94	-	-	-	-	25,612
11,452	2,631	276,799	16,349	-	111,290	8,793,041
(644)	(98)	60,617	(687)	-	5,770	56,177
2,226	98	165,880	14,296	10,000	8,823	349,519
\$ 1,582	\$ -	\$ 226,497	\$ 13,609	\$ 10,000	\$ 14,593	\$ 405,696

(Concluded)

OTTAWA COUNTY PUBLIC UTILITIES SYSTEM
(a Component Unit of Ottawa County)

DEBT SERVICE FUNDS
COMBINING BALANCE SHEET

DECEMBER 31, 2005

	Park Township Water System	Grand Valley Water and Sewer System	Grand Haven Township Water System	Olive Blendon Water System	Coopersville Water Supply System
<u>ASSETS</u>					
Cash and temporary investments	\$ 2,318	\$ 1,180	\$ -	\$ 16,395	\$ 63
Accounts receivable	-	-	168,125	1,583	-
Due from other funds	-	-	-	-	-
Due from local governments	-	7,161,019	5,323,928	366,166	719,937
TOTAL ASSETS	\$ 2,318	\$ 7,162,199	\$ 5,492,053	\$ 384,144	\$ 720,000
<u>LIABILITIES AND FUND BALANCES</u>					
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Deferred revenue	2,318	7,161,019	5,314,915	366,166	719,937
Due to other funds	-	-	173,728	-	-
Due to primary government	-	-	-	-	-
TOTAL LIABILITIES	2,318	7,161,019	5,488,643	366,166	719,937
FUND BALANCES					
Reserved					
Debt service	-	1,180	3,410	17,978	63
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,318	\$ 7,162,199	\$ 5,492,053	\$ 384,144	\$ 720,000

Crockery Township Water System	Spring Lake Village Water System	Jamestown Township Sewage System	Polkton Township System	West Central Ottawa System	Port Sheldon Sewage System	Chester Township Sewage System	Total
\$ 406	\$ 7,807	\$ 466	\$ -	\$ 55,934	\$ 566	\$ -	\$ 85,135
-	-	-	-	-	100	-	169,808
-	-	-	-	27,795	-	-	27,795
1,847,603	-	4,225,039	278,752	1,174,008	926,656	661,000	22,684,108
\$ 1,848,009	\$ 7,807	\$ 4,225,505	\$ 278,752	\$ 1,257,737	\$ 927,322	\$ 661,000	\$ 22,966,846

\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1,847,603	7,807	4,225,039	278,752	1,174,008	926,656	661,000	22,685,220
-	-	-	-	-	-	-	173,728
-	-	-	-	81,180	-	-	81,180
1,847,603	7,807	4,225,039	278,752	1,255,188	926,656	661,000	22,940,128
406	-	466	-	2,549	666	-	26,718
\$ 1,848,009	\$ 7,807	\$ 4,225,505	\$ 278,752	\$ 1,257,737	\$ 927,322	\$ 661,000	\$ 22,966,846

OTTAWA COUNTY PUBLIC UTILITIES SYSTEM
(a Component Unit of Ottawa County)

DEBT SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED DECEMBER 31, 2005

	Park Township Water System	Grand Valley Water and Sewer System	Grand Haven Township Water System	Olive Blendon Water System	Coopersville Water Supply System
REVENUES					
Intragovernmental revenue					
Contract payments	\$ -	\$ 411,340	\$ 991,076	\$ 42,143	\$ 67,500
TOTAL REVENUES	-	411,340	991,076	42,143	67,500
EXPENDITURES					
Debt service					
Principal	-	290,000	485,000	20,000	30,000
Interest	-	121,581	253,169	23,501	37,500
Bond issuance costs	-	-	38,983	-	-
TOTAL EXPENDITURES	-	411,581	777,152	43,501	67,500
REVENUES OVER (UNDER) EXPENDITURES	-	(241)	213,924	(1,358)	-
OTHER FINANCING SOURCES (USES)					
Refunding bonds issue	-	-	4,670,000	-	-
Payment to escrow agent	-	-	(4,833,020)	-	-
Discounts on bonds issued	-	-	(51,467)	-	-
Transfer in	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	(214,487)	-	-
NET CHANGE IN FUND BALANCES	-	(241)	(563)	(1,358)	-
FUND BALANCES, BEGINNING OF YEAR	-	1,421	3,973	19,336	63
FUND BALANCES, END OF YEAR	\$ -	\$ 1,180	\$ 3,410	\$ 17,978	\$ 63

Crockery Township Water System	Spring Lake Village Water System	Jamestown Township Sewage System	Polkton Polktonship System	West Central Ottawa system	Port Sheldon Sewage System	Chester Township Sewage System	Total
\$ 162,428	\$ -	\$ 486,169	\$ 27,250	\$ 120,507	\$ 86,779	\$ 41,051	\$2,436,243
162,428	-	486,169	27,250	120,507	86,779	41,051	2,436,243
90,000	-	265,000	20,000	90,000	40,000	7,000	1,337,000
72,596	-	220,843	7,250	57,001	46,713	34,056	874,210
-	-	-	-	-	-	-	38,983
162,596	-	485,843	27,250	147,001	86,713	41,056	2,250,193
(168)	-	326	-	(26,494)	66	(5)	186,050
-	-	-	-	-	-	-	4,670,000
-	-	-	-	-	-	-	(4,833,020)
-	-	-	-	-	-	-	(51,467)
-	-	-	-	27,795	-	-	27,795
-	-	-	-	27,795	-	-	(186,692)
(168)	-	326	-	1,301	66	(5)	(642)
574	-	140	-	1,248	600	5	27,360
\$ 406	\$ -	\$ 466	\$ -	\$ 2,549	\$ 666	\$ -	\$ 26,718

OTTAWA COUNTY PUBLIC UTILITIES SYSTEM
(a Component Unit of Ottawa County)

CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET

DECEMBER 31, 2005

	Revolving	Grand Valley Water and Sewer System	Wyoming Water Supply System	Northwest Ottawa System
<u>ASSETS</u>				
Cash and temporary investments	\$ 909	\$ 714,204	\$ 225,469	\$ 217,182
Accounts receivable	149,091	2,699	1,935	115,826
	-	-	-	-
TOTAL ASSETS	<u>\$ 150,000</u>	<u>\$ 716,903</u>	<u>\$ 227,404</u>	<u>\$ 333,008</u>
<u>LIABILITIES AND FUND BALANCES</u>				
LIABILITIES				
Accounts payable	\$ -	\$ 277,569	\$ -	\$ 121,980
Deferred revenue	-	-	-	-
Due to other funds	-	-	-	-
Due to primary government	150,000	-	-	-
TOTAL LIABILITIES	150,000	277,569	-	121,980
FUND BALANCES				
Reserved				
Capital Projects	-	439,334	227,404	211,028
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 150,000</u>	<u>\$ 716,903</u>	<u>\$ 227,404</u>	<u>\$ 333,008</u>

Grand Haven Township Water System	Holland Area System	Crockery Township Water System	Zeeland Township Water System	Jamestown Township Sewage System	Polkton Township System
\$ 759,296 2,379 -	\$ 126,404 - -	\$ 337,179 673 -	\$ 678,868 2,139 -	\$ 195,888 607 -	\$ 1,248 - -
\$ 761,675	\$ 126,404	\$ 337,852	\$ 681,007	\$ 196,495	\$ 1,248
\$ -	\$ -	\$ 125,861	\$ -	\$ 2,000	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	125,861	-	2,000	-
761,675	126,404	211,991	681,007	194,495	1,248
\$ 761,675	\$ 126,404	\$ 337,852	\$ 681,007	\$ 196,495	\$ 1,248

(Continued)

OTTAWA COUNTY PUBLIC UTILITIES SYSTEM
(a Component Unit of Ottawa County)

CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET (CONTINUED)

DECEMBER 31, 2005

	Chester Township Sewage System	West Central Ottawa	Port Sheldon Township Sewer	South West Ottawa Water
<u>ASSETS</u>				
Cash and temporary investments	\$ -	\$ 142,984	\$ 132,263	\$ -
Accounts receivable	-	448	415	67,821
TOTAL ASSETS	\$ -	\$ 143,432	\$ 132,678	\$ 67,821
<u>LIABILITIES AND FUND BALANCES</u>				
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ 61,650
Deferred revenue	-	-	-	2,065
Due to other funds	-	27,795	-	663
Due to primary government	-	-	-	-
TOTAL LIABILITIES	-	27,795	-	64,378
FUND BALANCES				
Reserved				
Capital Projects	-	115,637	132,678	3,443
TOTAL LIABILITIES AND FUND BALANCES	\$ -	\$ 143,432	\$ 132,678	\$ 67,821

Olive Township Sewage System		Total
\$	65,650	\$ 3,597,544
	206	344,239
\$	65,856	\$ 3,941,783

\$	-	\$ 589,060
	-	2,065
	-	28,458
	-	150,000
	-	769,583

	65,856	3,172,200
\$	65,856	\$ 3,941,783

(Concluded)

OTTAWA COUNTY PUBLIC UTILITIES SYSTEM
(a Component Unit of Ottawa County)

CAPITAL PROJECTS FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGE IN FUND BALANCES

FOR THE YEAR ENDED DECEMBER 31, 2005

	Revolving	Grand Valley Water and Sewer System	Wyoming Water Supply System
REVENUES			
Intragovernmental revenue			
Contributions received from local municipalities	\$ 26,496	\$ -	\$ 60,000
Interest income	-	27,947	20,809
TOTAL REVENUES	26,496	27,947	80,809
EXPENDITURES			
Project costs	26,496	2,218,984	180,924
Total expenditures	26,496	2,218,984	180,924
REVENUES OVER (UNDER) EXPENDITURES	-	(2,191,037)	(100,115)
OTHER FINANCING SOURCES (USES)			
Bonds issued	-	2,625,000	-
Transfers out	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	2,625,000	-
NET CHANGE IN FUND BALANCES	-	433,963	(100,115)
FUND BALANCES, BEGINNING OF YEAR	-	5,371	327,519
FUND BALANCES, END OF YEAR	\$ -	\$ 439,334	\$ 227,404

Northwest Ottawa System	Grand Haven Township Water System	Holland Area System	Crockery Township Water System	Zeeland Township Water System	Jamestown Township Sewage System	Polkton Township System
\$ 770,309 11,256	\$ - 23,920	\$ - -	\$ - 26,758	\$ - 23,547	\$ - 7,103	- -
781,565	23,920	-	26,758	23,547	7,103	-
1,713,256	123,543	-	1,662,918	431,440	114,036	-
1,713,256	123,543	-	1,662,918	431,440	114,036	-
(931,691)	(99,623)	-	(1,636,160)	(407,893)	(106,933)	-
990,000 -	- -	- -	420,000 -	- -	- -	- -
990,000	-	-	420,000	-	-	-
58,309	(99,623)	-	(1,216,160)	(407,893)	(106,933)	-
152,719	861,298	126,404	1,428,151	1,088,900	301,428	1,248
\$ 211,028	\$ 761,675	\$ 126,404	\$ 211,991	\$ 681,007	\$ 194,495	\$ 1,248

(Continued)

OTTAWA COUNTY PUBLIC UTILITIES SYSTEM
(a Component Unit of Ottawa County)

CAPITAL PROJECTS FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2005

	Chester Township Sewage System	West Central Ottawa	Port Sheldon Township Sewer
REVENUES			
Intragovernmental revenue			
Contributions received from local municipalities	\$ -	\$ 60,225	\$ -
Interest Income	-	2,576	3,667
TOTAL REVENUES	-	62,801	3,667
EXPENDITURES			
Project costs	-	(53,177)	-
REVENUES OVER (UNDER) EXPENDITURES	-	115,978	3,667
OTHER FINANCING SOURCES (USES)			
Bonds issued	-	-	-
Transfers out	-	(27,795)	-
TOTAL OTHER FINANCING SOURCES (USES)	-	(27,795)	-
NET CHANGE IN FUND BALANCES	-	88,183	3,667
FUND BALANCES, BEGINNING OF YEAR	-	27,454	129,011
FUND BALANCES, END OF YEAR	\$ -	\$ 115,637	\$ 132,678

	South West Ottawa Water		Olive Township Sewage System		Total
\$	160,467	\$	-	\$	1,077,497
	-		2,558		150,141
	160,467		2,558		1,227,638
	157,024		-		6,575,444
	3,443		2,558		(5,347,806)
	-		-		4,035,000
	-		-		(27,795)
	-		-		4,007,205
	3,443		2,558		(1,340,601)
	-		63,298		4,512,801
\$	3,443	\$	65,856	\$	3,172,200

(Concluded)



REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

April 21, 2006

Members of the Board of
County Road Commissioners
County of Ottawa, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Ottawa County Public Utilities System, as of and for the year ended December 31, 2005, which collectively comprise the Ottawa County Public Utilities System's basic financial statements and have issued our report thereon dated April 21, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Ottawa County Public Utilities System's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Ottawa County Public Utilities System's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the board members, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



REHMANN ROBSON

Certified Public Accountants

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April 21, 2006

Board of Road Commissioners
Ottawa County Public Utilities System
Ottawa County
Grand Haven, Michigan

In planning and performing our audit of the financial statements of the Ottawa County Public Utilities System for the year ended December 31, 2005, we considered the System's internal control to determine our auditing procedures for the purpose of expressing an opinion of the financial statements and not to provide assurance on the internal control.

However, during our audit we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. This letter does not affect our report dated April 21, 2006 on the financial statements of the Ottawa County Public Utilities System.

We will review the status of these comments during our next audit engagement. We have already discussed these comments with various personnel, and we will be pleased to discuss it in further detail at your convenience, perform any additional study of these matters, or to assist management in implementing the recommendations.

Our comments are summarized as follows:

ACCOUNT RECONCILIATION

During our examination we noted that certain accounts had not been reconciled to supporting documentation in a timely manner at fiscal year-end. We recommend that all account balances be reconciled to supporting documentation periodically throughout the fiscal year and at year-end. This will facilitate the accurate and timely reporting of financial information needed for informed decision making.

We would like to thank the staff of the Commission for their assistance and cooperation during the audit. We look forward to working with you on future engagements.

This information is intended solely for the use of the Board of Road Commissioners and management of the Ottawa County Public Utilities System and is not intended to be and should not be used by anyone other than these specified parties.